

## Message Text

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ACTION INT-05

INFO OCT-01 EA-06 ISO-00 IO-10 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 TRSE-00 /066 W  
----- 109280

R 310843Z JAN 75

FM AMEMBASSY TOKYO

TO CINCPACREP GUAM/TTPI

INFO SECSTATE WASHDC 7709

CDRUSAGO MAKIMINATO JAPAN/TTPI-LNO

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E.O. 11652: N/A

TAGS: EAID, EFIN, JA, TQ

SUBJ: MICRONESIA CLAIMS AGREEMENT: MATTERS RELATED TO SPECIAL  
ACCOUNT

CINCPACREP GUAM PASS TO HICOM AND STATUS LNO SAIPAN

FOR HICOM AND STATUS LNO

DEPT PASS INTERIOR FOR DOTA AND OSN

REF: A) TTPI 031

B) TOKYO 364

SUMMARY. EMBASSY DISCUSSED WITH FONOFF MATTERS RELATED TO  
SPECIAL ACCOUNT. IN ACCORDANCE WITH FINANCE MINISTRY VIEWS,  
FONOFF REQUESTS USG DEVISE PROCEDURE WHICH WOULD ALLOW INTEREST  
FUNDS TO BE DISBURSED DIRECTLY FROM INTEREST ACCOUNT. FONOFF  
REQUESTS TTPI FORWARD MONTHLY STATEMENTS COVERING FIXED DEPOSITS  
(AS WELL AS CURRENT DEPOSITS AND INTEREST). DUE TO TAIYO KOBE  
BANK ERROR SOME SPECIAL ACCOUNT FUNDS WERE PLACED IN DEPOSITS AT  
NOTICE CONTRARY TO ARRANGEMENT BETWEEN USG AND BANK. FONOFF HAS  
MADE SUGGESTIONS FOR CORRECTION OF THIS IRREGULARITY. ACTION  
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REQUESTED: HICOM VIEWS AND DEPARTMENT INSTRUCTIONS AS DESCRIBED

BELOW. END SUMMARY.

1. DURING JANUARY 29 CONVERSATION WITH FONOFF REPS REPORTED SEPTTEL, USE OF INTEREST AND OTHER MATTERS RELATED TO SPECIAL ACCOUNT WERE FURTHER DISCUSSED.

2. RE INTEREST, SASAKI EXPLAINED THAT FINANCE MINISTRY (MOF) IS OPPOSED TO TRANSFER OF FUNDS FROM INTEREST ACCOUNT TO SPECIAL ACCOUNT BECAUSE A) IN PRINCIPLE, QTE PRINCIPAL UNQTE IN SPECIAL ACCOUNT AND INTEREST SHOULD BE HANDLED SEPARATELY, AND B) TRANSFERRING INTEREST FUNDS TO SPECIAL ACCOUNT WOULD MAKE IT DIFFICULT FOR GOJ AUTHORITIES TO MAINTAIN ACCURATE RECORD OF EXACT AMOUNT OF QTE PRINCIPAL UNQTE IN SPECIAL ACCOUNT REMAINING TO BE DISBURSED. THUS, FONOFF REQUESTS THAT PROCEDURE BE DEvised TO ALLOW DISBURSEMENT OF FUNDS DIRECTLY FROM INTEREST ACCOUNT WITHOUT FIRST TRANSFERRING INTEREST FUNDS TO SPECIAL ACCOUNT. FONOFF SUGGESTS THAT USG TAKE NECESSARY STEPS TO PERMIT DRAWING CHECKS AGAINST INTEREST ACCOUNT. THUS, IN CASE WHERE CONTRACTED AMOUNT EXCEEDED ESTIMATED AMOUNT OR BALANCE UNDER ITEM IN LIST OF PRODUCTS AND SERVICES, TWO CHECKS--ONE AGAINST SPECIAL ACCOUNT, ONE AGAINST INTEREST ACCOUNT--WOULD BE NECESSARY. OTHER STEPS OUTLINED IN REF B PARA 2 COULD STILL BE USED.

3. EMBOFF SUBSEQUENTLY DISCUSSED THIS QUESTION WITH KOMETANI OF TAIYO KOBE BANK. KOMETANI SAID THAT IF EMBASSY, ON BEHALF OF USG, WOULD WRITE BANK A) REQUESTING IT TO HONOR CHECKS DRAWN ON INTEREST ACCOUNT AND B) AUTHORIZING PETERSON AND WENDLER TO SIGN CHECKS, BANK WOULD PREPARE NEW CHECKS FOR INTEREST ACCOUNT (WHICH WOULD REQUIRE ABOUT ONE MONTH) AND, IN DUE COURSE, HONOR SUCH CHECKS WHEN PRESENTED TO IT. NO NEW SIGNATURE CARDS WOULD BE NECESSARY, SAID KOMETANI.

4. RE BANK STATEMENTS FOR SPECIAL ACCOUNT AND INTEREST ACCOUNT, SASAKI NOTED THAT CERTIFIED STATEMENTS HERETOFORE PROVIDED TO FONOFF HAVE CONTAINED INFO ON CURRENT DEPOSITS IN SPECIAL ACCOUNT BUT NOT ON FIXED DEPOSITS. MOF HAS EXPRESSED CONCERN THAT NOT ALL FUNDS IN SPECIAL ACCOUNT ARE ACCOUNTED FOR MONTHLY. THUS, SASAKI REQUESTED THAT HENCEFORTH MONTHLY CERTIFIED STATEMENT ON SPECIAL ACCOUNT'S FIXED DEPOSITS AS WELL AS LIMITED OFFICIAL USE

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CURRENT DEPOSITS BE SUBMITTED TO FONOFF. (EMBASSY UNDERSTANDS FROM KOMETANI OF TAIYO KOBE BANK THAT SUCH STATEMENTS ARE FORWARDED TO TTPI; IF SO, WOULD APPRECIATE RECEIVING COPIES FOR TRANSMITTAL TO FONOFF; IF NOT, PLEASE REQUEST FROM BANK.)

5. RE FORM OF DEPOSITS IN SPECIAL ACCOUNT, SASAKI SAID MOF HAS LEARNED THAT SOME FUNDS IN SPECIAL ACCOUNT ARE IN FORM OF QTE

DEPOSITS AT NOTICE UNQTE. MOF HAS POINTED OUT THAT ARRANGEMENT BETWEEN USG AND TAIYO KOBE BANK STIPULATES THAT SPECIAL ACCOUNT MAY TAKE FORM OF CURRENT DEPOSITS OR FIXED DEPOSITS, BUT DEPOSITS AT NOTICE ARE NOT AUTHORIZED. TO REMEDY THIS IRREGULARITY, SASAKI SUGGESTED THAT ARRANGEMENT BETWEEN USG AND BANK BE AMENDED TO PERMIT PLACEMENT OF SOME FUNDS IN DEPOSITS AT NOTICE. SASAKI FURTHER SUGGESTED THAT AMENDMENT TO ARRANGEMENT BE BACK-DATED TO EFFECT EX POST FACTO REGULARIZATION OF EARLIER PLACEMENT OF FUNDS IN DEPOSITS AT NOTICE. (ACCORDING TO KOMENTANI, 25 MILLION YEN OF SPECIAL ACCOUNT WERE PLACED IN DEPOSITS AT NOTICE MARCH 30, 1974 BY BANK EMPLOYEE UNFAMILIAR WITH DETAILS OF ARRANGEMENT BETWEEN USG AND BANK. TTPI HAD REQUESTED FIXED DEPOSIT OF TWO MONTHS' MATURITY; HOWEVER, SINCE MINIMUM ALLOWABLE MATURITY OF FIXED DEPOSITS IS THREE MONTHS (AT 5 PERCENT INTEREST), FUNDS WERE PLACED IN DEPOSITS AT NOTICE (AT 4 PERCENT INTEREST) INSTEAD. MOF CALLED BANK RECENTLY TO CALL ATTENTION TO THIS ERROR AND REQUEST ITS CORRECTION. KOMENTANI SAID THAT BANK COULD EITHER CONVERT DEPOSITS AT NOTICE TO FIXED DEPOSITS OR AGREE TO BACK-DATED AMENDMENT TO ARRANGEMENT TO PERMIT DEPOSITS AT NOTICE. BANK WOULD PREFER LATTER ALTERNATIVE, HE SAID.)

6. EMBASSY COMMENT. (A) EMBASSY FINDS FONOFF'S REQUESTS RE PROCEDURES FOR USE OF INTEREST AND RE BANK STATEMENTS REASONABLE. B) EMBASSY IS WILLING TO AMEND ARRANGEMENT WITH TAIYO KOBE BANK TO PERMIT HENCEFORTH PLACEMENT OF FUNDS IN DEPOSITS AT NOTICE. HOWEVER, EMBASSY QUESTIONS WHETHER ADVANTAGES OFFERED BY DEPOSITS AT NOTICE ARE SUFFICIENTLY ATTRACTIVE TO WARRANT AMENDING EXISTING ARRANGEMENT. EMBASSY ALSO SERIOUSLY QUESTIONS PROPRIETY OF BACK-DATING PROPOSED AMENDMENT TO PRIOR TO MARCH 30, 1974. EMBASSY RECOMMENDS THAT PRESENT IRREGULARITY BE CORRECTED BY CONVERTING PRESENT (UNAUTHORIZED) DEPOSITS AT NOTICE TO THREE MONTH FIXED DEPOSITS OR CURRENT DEPOSITS, DEPENDING UPON TTPI'S ANTICIPATED NEEDS. END COMMENT.  
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7. ACTION REQUESTED. A) HICOM: I. ADVISE WHETHER PROPOSED ARRANGEMENTS RE INTEREST USE AS EXPLAINED IN REF B AND PARA 2 ABOVE ARE ACCEPTABLE. II. ADVISE WHETHER MONTHLY STATEMENT COVERING FIXED DEPOSITS AS WELL AS CURRENT DEPOSITS AND INTEREST CAN HENCEFORTH BE FORWARDED TO EMBASSY FOR TRANSMITTAL TO FONOFF. III. ADVISE WHETHER COURSE OF ACTION PROPOSED BY EMBASSY RE DEPOSITS AT NOTICE (PARA 6 ABOVE) ACCEPTABLE; IF SO PLEASE SO INSTRUCT BANK WITH COPY TO EMBASSY. B) DEPARTMENT: ASSUMING PROPOSED ARRANGEMENTS RE INTEREST USE (REF B AND PARA 2 ABOVE) ARE ACCEPTABLE TO HICOM, AUTHORIZED EMBASSY TO EXCHANGE LETTERS WITH FONOFF AND BANK AS DESCRIBED REF B PARA 2 A AND PARA 3 ABOVE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, PROPERTY WAR CLAIMS, MICRONESIAN CLAIMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION INT  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 TTPI 031  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 JUL 2003 by ShawDG>; APPROVED <16 JUL 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MICRONESIA CLAIMS AGREEMENT: MATTERS RELATED TO SPECIAL ACCOUNT  
**TAGS:** EAID, EFIN, JA, TQ, US  
**To:** CINCPACREP GUAM TTPI  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006